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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, OCTOBER 18, 2000

APPLICATION OF	CASE NOS. PUC960134
	PUC970071
VERIZON SOUTH INC.	PUC970072
	PUC980098
Annual Informational Filings	PUC990121
	PUC000192
	PUC000266

ORDER FOR NOTICE AND COMMENT

On October 12, 2000, Verizon South Inc. ("Verizon South" or "Company") f/k/a GTE South Incorporated, together with the Staff of the State Corporation Commission ("Commission"), the Office of the Attorney General's Division of Consumer Counsel, and AT&T Communications of Virginia, Inc., filed a Motion to Approve Joint Agreement ("Motion") and a Joint Agreement executed by those entities.

The Motion and Joint Agreement propose a comprehensive settlement of Verizon South's outstanding annual informational filing cases for the calendar years 1995-1999, as well as the filing that would be made next year covering the Company's operations during calendar year 2000. The Joint Agreement contains Verizon South's agreement to make refunds to customers receiving service from the Company during those years through application of the provisions of GTE South's Alternative Regulatory Plan. As proposed, customers would receive an

aggregate refund of \$200 million, inclusive of interest. The parties propose that refunds will be provided for the years 1995-2000 for customers in the former Contel service area and for the years 1998-2000 for customers in the former GTE Southwest service area. The Commission has previously determined that the Company's earnings in the GTE Southwest area for the years 1995-97 were within its range of authorized earnings and, consequently, no refund obligation accrued to those customers in those years.

The signatories have asked that we conclude review of the Motion and Joint Agreement in an expeditious manner in order to permit prompt processing and payment of customer refunds.

NOW THE COMMISSION, on consideration of the Motion and Joint Agreement, is of the opinion that notice of the proposed settlement should be given to the public and other interested parties and that a period should be established for receipt of comment, or requests for hearing, on these pleadings.

Accordingly, IT IS ORDERED THAT:

(1) The Company shall publish, on or before November 3, 2000, the following notice as display advertising in newspapers having general circulation throughout its service territory within the Commonwealth:

NOTICE TO THE PUBLIC OF PROPOSED SETTLEMENT  
OF ACCRUED CUSTOMER REFUNDS BY VERIZON SOUTH  
INC. f/k/a GTE SOUTH INCORPORATED, THE STAFF  
OF THE STATE CORPORATION COMMISSION, THE  
OFFICE OF THE ATTORNEY GENERAL'S DIVISION OF  
CONSUMER COUNSEL, AND AT&T COMMUNICATIONS OF  
VIRGINIA, INC. - CASE NOS. PUC960134,  
PUC970071, PUC970072, PUC980098, PUC990121,  
PUC000192 AND PUC000266

On October 12, 2000, Verizon South Inc.  
f/k/a GTE South Incorporated ("Verizon  
South" or "Company"), along with the Staff  
of the State Corporation Commission, the  
Office of the Attorney General's Division of  
Consumer Counsel, and AT&T Communications of  
Virginia, Inc., filed a Joint Agreement and  
a Motion to Approve Joint Agreement  
("Motion") with the State Corporation  
Commission.

The Joint Agreement and Motion propose  
a settlement of a number of outstanding  
cases in which the annual earnings of the  
Company were, pursuant to its Alternative  
Regulatory Plan, subject to review and, if  
found in excess of the Company's authorized  
range of return, refund to customers.

The signatories to the Joint Agreement  
and Motion propose that in full and complete  
settlement of these cases, Verizon South  
will make refunds to its customers in the  
collective amount of \$200 million. The  
Joint Agreement would assign \$15 million in  
refunds for calendar year 1995, \$25 million  
for 1996, and \$40 million each for the years  
1997, 1998, 1999, and 2000. The Joint  
Agreement further provides that, of the  
total, \$144 million in refunds would be made  
to residential and business customers and  
\$56 million would be made to customers that  
are interexchange carriers. The parties  
propose that refunds will be provided for  
the years 1995-2000 for customers in the  
former Contel service area and for the years  
1998-2000 for customers in the former GTE  
Southwest service area. The Commission has  
previously determined that the Company's  
earnings in the GTE Southwest area for the

years 1995-97 were within its range of authorized earnings and, consequently, no refund obligation accrued to those customers in those years.

The Joint Agreement and Motion are available for public inspection at the State Corporation Commission's Document Control Center, Monday through Friday, between the hours of 8:15 a.m. and 5:00 p.m., in the Tyler Building, 1300 East Main Street, Richmond, Virginia. A copy of the Motion and Joint Agreement may also be obtained by written request to Verizon South's counsel, Lydia R. Pulley, Esquire, Verizon South Inc., 600 East Main Street, Suite 1100, Richmond, Virginia 23219-2441.

Interested persons may comment or request a hearing on the Motion and Joint Agreement by filing, on or before November 21, 2000, an original and five (5) copies of any such document with the Clerk of the State Corporation Commission, whose mailing address is P.O. Box 2118, Richmond, Virginia 23218. Any document filed must refer to Case No. PUC960134, et al., and one (1) copy must be served at the time of filing with the Company's counsel listed above. Requests for hearing should state an appropriate basis for convening an evidentiary hearing and indicate the evidence the filing party intends to offer at any hearing. In the absence of a sufficient request for hearing, the Commission may act upon the papers filed in this case without convening a hearing.

VERIZON SOUTH INC.

(2) On or before November 21, 2000, interested parties may comment or request a hearing on the application and proposed plan by filing an original and five (5) copies of such document with the Clerk of the Commission.

(3) This matter is continued for further orders of the Commission.

**COMMONWEALTH OF VIRGINIA  
STATE CORPORATION COMMISSION**

<b>APPLICATION OF</b>	)	<b>CASE NOS.</b>	<b>PUC960134</b>
	)		<b>PUC970071</b>
<b>VERIZON SOUTH INC.</b>	)		<b>PUC970072</b>
<b>f/k/a GTE South Incorporated</b>	)		<b>PUC980098</b>
	)		<b>PUC990121</b>
<b>Annual Informational Filings</b>	)		<b>PUC000192</b>
	)		<b>PUC000266</b>

**MOTION TO APPROVE JOINT AGREEMENT**

Verizon South Inc. ("Verizon South"), formerly GTE South Incorporated, the Staff of the State Corporation Commission ("Staff"), the Office of the Attorney General, Division of Consumer Counsel ("Consumer Counsel"), and AT&T Communications of Virginia, Inc. ("AT&T") (collectively, "the Staff and Parties"), propose a comprehensive settlement of Verizon South's filed annual informational filings for years 1995-1999 and the annual informational filing that would otherwise be filed for the year 2000. Customers stand to benefit significantly from the \$200 million refund that Verizon South will make to its customers under the proposal herein, and the Staff and Parties urge the State Corporation Commission ("Commission") to approve it expeditiously.

The annual informational filings and review result from the Company's Alternative Regulatory Plan established pursuant to the Commission's Final Order in Case No. PUC930036. The Staff and Parties recognize that the issues in these matters are contentious and that resolution of them other than through settlement will be time consuming, will require the continued commitment of significant amounts of regulatory and corporate resources, and will involve extensive litigation (perhaps, including one or more appeals to the Virginia Supreme Court). The

Staff and Parties have met periodically during the past several months for the purposes of determining whether the matters herein could be resolved, and agreement has been reached on all issues involved for the years 1995-2000. A copy of the Joint Agreement is attached to this Motion. The Commission is requested to approve the agreement as final resolution of the issues for all of the years 1995-2000.

Review of the Joint Agreement should be concluded in an expeditious fashion so that refunds to customers can be processed and paid. To accomplish this review, the Staff and Parties request that the Commission provide an opportunity for interested persons to submit comments on the Joint Agreement.

Customers will receive significant economic benefits almost immediately from this agreement. With this agreement, Verizon South agrees to make, within 90 days of a final order, a total refund of \$200 million to its customers. The total refund proposed in the agreement consists of refunds of \$15 million for the year 1995, \$25 million for the year 1996, and refunds of \$40 million for each of the years 1997, 1998, 1999, and 2000. Because the Commission or Commission Staff has previously determined that rates paid by GTE Southwest customers from 1995 through 1997 did not result in any refund obligation on the part of the Company, the refunds for those years will be made only to former Contel customers billed during those years. Based upon these significant economic benefits and the resolution of the annual reviews for Verizon South for the period 1995 through 2000, together with the accelerated refund process that will result, the settlement agreement is clearly in the public interest.

WHEREFORE, Verizon South, the Staff, Consumer Counsel, and AT&T respectfully request that the Commission establish a process for receiving comments on the Joint Agreement from interested persons and that review of the agreement be concluded and the Joint Agreement

be adopted by the Commission in a timely fashion so that Verizon South may begin the process of refunds to its customers.

**COMMONWEALTH OF VIRGINIA  
STATE CORPORATION COMMISSION**

<b>APPLICATION OF</b>	)	<b>CASE NOS. PUC960134</b>
	)	<b>PUC970071</b>
	)	<b>PUC970072</b>
<b>VERIZON SOUTH INC.</b>	)	<b>PUC980098</b>
<b>f/k/a GTE South Incorporated</b>	)	<b>PUC990121</b>
	)	<b>PUC000192</b>
<b>Annual Informational Filings</b>	)	<b>PUC000266</b>

**JOINT AGREEMENT BETWEEN  
VERIZON SOUTH INC.,  
THE STAFF OF THE STATE CORPORATION COMMISSION,  
THE OFFICE OF THE ATTORNEY GENERAL, AND  
AT&T COMMUNICATIONS OF VIRGINIA, INC.**

WHEREAS, the State Corporation Commission ("Commission") has instituted Case Nos. PUC960134, PUC970071, PUC970072, PUC980098, PUC990121, and PUC000192 for the review of the annual informational filings of Verizon South Inc. (formerly GTE South Incorporated) ("Verizon South" or "Company") for each of the years 1995 through 1999, respectively, pursuant to the Company's Alternative Regulatory Plan ("Plan"); and

WHEREAS, Case No. PUC000266 has been established regarding the year 2000 and the Company has submitted monthly financial information regarding the year 2000 to the Commission Staff, the Office of the Attorney General, Division of Consumer Counsel ("Consumer Counsel"), and AT&T Communications of Virginia, Inc. ("AT&T"); and

WHEREAS, the amount of refunds and interest pursuant to the Plan for each of the years 1995 through 2000 has been at issue between the Company, the Commission Staff, Consumer Counsel, and AT&T; and

WHEREAS, the Company, the Commission Staff, Consumer Counsel, and AT&T acknowledge that a reasonable resolution of these issues is in the public interest and may avoid protracted, time-consuming, and expensive litigation;

NOW, THEREFORE, in consideration of the foregoing, the Company, the Commission Staff, Consumer Counsel, and AT&T agree as follows:

1. The Company, the Commission Staff, Consumer Counsel, and AT&T will jointly present the terms of this Joint Agreement covering Case Nos. PUC960134, PUC970071, PUC970072, PUC980098, PUC990121, and PUC000192 for the years 1995 through 1999 and covering the annual review of the Company pursuant to the Plan for the year 2000 that would otherwise be filed in Case No. PUC000266, and each party will support the Joint Agreement, urge its adoption by the Commission as a fair and reasonable resolution of all issues pending in each of these cases and reviews, support it as being in compliance with the Plan and, if adopted by the Commission, will agree that it constitutes final action with respect to each of the dockets and annual reviews pursuant to the Plan for the years 1995 through 2000. The parties recognize that, based on the Joint Agreement, no annual informational filing for the year 2000 will be filed in 2001. The tariffed rates of Verizon South for the years 1995 through 2000 shall no longer be interim and shall be subject to no additional refunds.
2. Within 90 days of the issuance of a final order establishing the refunds for the years 1995 through 2000, the Company will refund to its customers the sum of \$200,000,000, which shall constitute the total refund, including interest ("total refund"), for the years 1995 through 2000.

3. The total refund shall consist of refunds of \$15,000,000 for the year 1995, \$25,000,000 for the year 1996, and refunds of \$40,000,000 for each of the years 1997, 1998, 1999, and 2000. Because the Commission or Commission Staff has previously determined that rates paid by GTE Southwest customers from 1995 through 1997 did not result in any refund obligation on the part of the Company, the refunds for the years 1995, 1996, and 1997 will be made only to former Contel customers billed during those years. Refunds for the years 1998, 1999, and 2000 will be made to all Verizon South customers billed during those years.
4. The refunds shall be allocated among customers as follows:

<b>YEAR</b>	<b>TOTAL REFUND</b>	<b>RESIDENTIAL &amp; BUSINESS CUSTOMERS</b>	<b>CARRIERS</b>
<b>1995</b>	\$15,000,000	\$10,800,000	\$4,200,000
<b>1996</b>	25,000,000	18,000,000	7,000,000
<b>1997</b>	40,000,000	28,800,000	11,200,000
<b>1998</b>	40,000,000	28,800,000	11,200,000
<b>1999</b>	40,000,000	28,800,000	11,200,000
<b>2000</b>	40,000,000	28,800,000	11,200,000

Refunds shall be distributed to customers based upon each customer's billed revenue in proportion to the total jurisdictional revenue for the customer's class.

5. Refunds may be accomplished by credit or check to each customer's account for current customers. Provisions for refunds to former customers and to customers who have an outstanding balance shall be as set forth by the Commission.

6. This Joint Agreement does not limit the Company's exercise of the pricing flexibility available under its Plan or under any possible future alternative regulatory plan. The parties acknowledge that the Company has requested the plan be replaced with a different form of alternative regulation and that this matter has been docketed as Case No. PUC000265. That proposed plan, which is similar to those in effect for Verizon Virginia Inc. and the Sprint Companies, would replace the financial reporting/refunding provisions in the current plan with a price capping mechanism.
7. Subsidiary benefits of adoption of this Joint Agreement will be to resolve what could potentially be burdensome, protracted, and expensive litigation and appeals, thereby saving costs for the parties to the cases and the Commonwealth and accelerating refunds to customers.
8. It is expressly understood and agreed that, as among the Company, the Commission Staff, Consumer Counsel, and AT&T, this Joint Agreement constitutes a negotiated resolution of these cases and reviews for the years 1995 through 2000 that have arisen or might arise under the Plan.
9. This Joint Agreement is subject to all applicable administrative and common law treatments of settlement offers and negotiations. As between and among the Company, the Commission Staff, Consumer Counsel, and AT&T, this Joint Agreement resolves, with prejudice, the issues and total refunds in the cases and reviews under the Plan for the years 1995 through 2000 and, except as provided below, precludes the parties hereto from contesting the positions taken herein with respect to any issue encompassed within this Joint Agreement during any

subsequent litigation; provided, however, that this Joint Agreement is made without admission against or prejudice to any factual or legal positions that either Verizon South Inc., the Commission Staff, Consumer Counsel, or AT&T may assert (i) in the event that the Commission does not approve this Joint Agreement without modification or that any order of the Commission so approving this Joint Agreement is reversed or modified by action of an appellate court, or (ii) in other proceedings before the Commission or other forums as long as such positions are not in derogation of this Joint Agreement. This Joint Agreement shall not constitute or be cited as controlling precedent against either the Commission Staff, Consumer Counsel, AT&T, or Verizon South Inc., or its affiliated local telephone companies in any other state or federal proceedings. Nothing in this Joint Agreement changes the Staff's ongoing responsibilities or obligation to the Commission.

10. This Joint Agreement is expressly conditioned upon the Commission's approval of all of the specific terms and conditions contained herein without modification. If the Commission should fail to grant such approval, or should modify any material term or condition herein, any of the parties hereto may withdraw, in whole or in part, from this Joint Agreement, upon written notice filed within ten days of service of the Commission's order. In the event of any such withdrawal, the parties hereto shall have all legal rights they may have waived by entering into this Joint Agreement.

NOW, THEREFORE, Verizon South Inc., the Commission Staff, Consumer Counsel, and AT&T, intending to be legally bound and certifying that the undersigned have full authority to act on behalf of their respective parties, hereby affix their signatures to this Joint Agreement.